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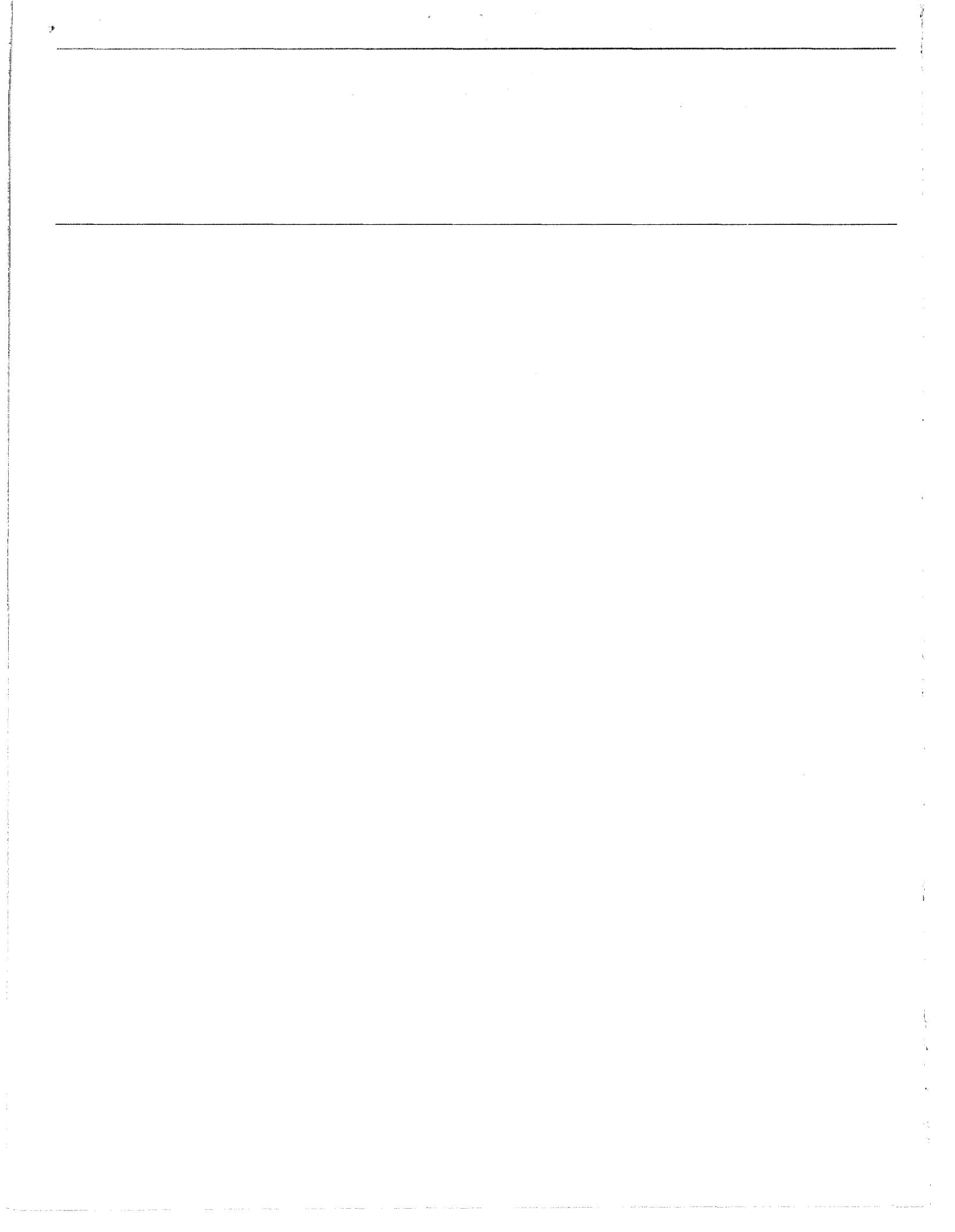
August 1991

TRANSPORTATION INFRASTRUCTURE

Highway Program Consolidation



144646



Resources, Community, and
Economic Development Division

B-237967

August 16, 1991

The Honorable Quentin N. Burdick, Chairman
The Honorable John H. Chafee, Ranking Minority Member
Committee on Environment and Public Works
United States Senate

The Honorable Daniel P. Moynihan, Chairman
The Honorable Steve Symms, Ranking Minority Member
Subcommittee on Water Resources, Transportation, and
Infrastructure
Committee on Environment and Public Works
United States Senate

In 1987, the Congress authorized the Combined Road Plan (CRP) demonstration to test the feasibility of transferring greater responsibility to state officials for administering portions of the federal-aid highway program. The demonstration gives the five participants—California, Minnesota, New York, Rhode Island, and Texas—greater flexibility to target federal-aid funds toward specific highway and bridge needs and also allows them to assume certain program functions usually performed at the federal level. The demonstration provides insights into a potential restructuring of the federal-aid highway program as the Congress looks to reauthorize this program for fiscal years 1992 to 1996.

The administration's \$66 billion reauthorization proposal for highways would restructure the existing programs for the interstate, primary, secondary, and urban highway systems by consolidating them into two programs: the National Highway Program (NHP) and the Urban/Rural Program (URP). The NHP would focus on a 150,000-mile network of highways, to be called the National Highway System, consisting of the interstate and other roads designated as nationally significant. The URP would fund the remaining highways eligible for federal-aid. The proposed consolidation would provide states with greater flexibility in administering the federal-aid program. As you know, the bill passed by the Senate in June 1991 also recognizes a need to restructure existing highway programs, provide flexibility in the use of highway funds, and delineate highways of national significance.

In response to your February 27, 1989, request, we issued a preliminary report in June 1990 that identified how the five participating states initially benefitted from the CRP demonstration.¹ On the basis of this request and subsequent discussions with your offices, we agreed that the current report would include a final evaluation of the CRP demonstration as well as a review of the administration's reauthorization proposal as it relates to (1) defining highways of national significance and (2) funding the NHP and URP. This information should prove useful as the Senate moves to reach agreement on these issues with the House.

Results in Brief

All five states view the CRP demonstration as beneficial, since it has provided them with additional flexibility for funding projects and administering portions of the federal-aid program. To date, two states have used the funding flexibility to redirect a substantial amount of funds between programs; the remaining three have elected to spend most of their funds on the programs to which the funds were originally provided. All five states also believe that the delegation of administrative responsibilities to them has saved time and reduced paperwork. The Federal Highway Administration (FHWA) has concluded that the delegation of these responsibilities to the states has had little impact on safety.

The administration's reauthorization proposal for fiscal years 1992 to 1996 would consolidate existing federal-aid highway programs into the NHP and the URP.² The proposed NHP would focus its funds on a 150,000-mile national highway system. Our analysis of FHWA's 1990 mapping exercise, which tested the feasibility of designating a 150,000-mile national highway system, disclosed that many of the 50 states found this system size too limited. In addition, a system of this size may prove inappropriate, particularly given that specific criteria for defining the system have not yet been established.

The administration's proposed funding levels for the federal-aid program strongly favor a national highway system by allocating two-thirds of highway funding (\$43.5 billion) to the NHP and the remaining one-third (\$22.2 billion) to the URP. States' average expenditures on the federal-aid system in the past indicate that a majority of states have spent the bulk of their funds on highways likely to be classified under the NIIP rather than the URP. In fact, during fiscal years 1987 through 1990, 35

¹Transportation Infrastructure: States Benefit From Block Grant Flexibility (GAO/RCED-90-126, June 8, 1990).

²The administration's proposal also includes a separate bridge program.

states spent, on average, a higher percentage of highway funds on major roads (those that may be included in the future NHP) than the percentage these states would receive under the administration's proposal for the NHP in fiscal years 1992 to 1996.

Background

The federal-aid highway program distributes federal funds to the states to construct and repair urban and rural highway systems. Federal assistance is provided through several separately funded categorical programs for the interstate, primary, secondary, and urban highway systems. States play a primary role in selecting, planning, designing, and constructing highway improvements. The federal government's role has been to review and approve work done with federal assistance.

The Congress authorized the CRP demonstration to test how states could operate if given greater responsibility for funding projects and administering portions of the federal-aid highway program than is currently allowed under the categorical programs. The demonstration permitted each of the five states to combine, or pool, funds from its urban and secondary highway programs as well as a bridge program and to use these funds interchangeably to meet needs in any of the three programs. The demonstration also allowed states to administer selected program functions, such as approving design exceptions and conducting final inspections, that previously were performed by FHWA. The demonstration's results should be particularly useful during the reauthorization process as options are considered for restructuring a highway program beyond 1991.

The administration's reauthorization proposal for fiscal years 1992 to 1996 would consolidate the current major highway programs into the NHP and the URP. The NHP and URP would differ from each other in their federal funding allocations, road systems, and the amount of flexibility each provides to the states to carry out projects. The NHP would receive two-thirds of available federal highway funding, with states required to contribute from 10 to 25 percent of an NHP project's cost. It would encompass 150,000 to 165,000 miles of nationally significant highways, consisting of the current 44,849-mile interstate system plus between 105,000 and 120,000 miles of highways drawn from the primary and urban systems. The proposal would allow states until September 30, 1993, to designate the final system of highways eligible for NHP funding.

The URP would receive the remaining one-third of highway funding, with states required to contribute 40 percent of an URP project's cost. URP

funds would be eligible for use on all of the current secondary system highways as well as any primary and urban system highways not designated as part of the NHP. Table 1 compares the current structure of the federal-aid program with the administration's proposed restructuring and provides the number of highway miles covered under each system.

Table 1: Comparison of Existing and Proposed Highway Program Categories and Related Mileage

Category	Existing system		Proposed system	
	Mileage		Category	Mileage
Interstate	44,849	NHP		150,000 ^a
Primary	259,205	URP		771,602
Urban	147,904			
Secondary	399,756			
Total	851,714	Total		921,602^b

^aThe Secretary of Transportation can increase the size of the NHP to a maximum of 165,000 miles.

^bThe size of the federal-aid system will increase under the administration's proposal because an additional 70,000 miles of highways, which are not currently part of the federal-aid system, will become eligible for URP funds.

Source: FHWA's 1989 data.

The NHP would operate much as the current categorical program does in that FHWA would continue its involvement on a project-by-project basis. FHWA would remain responsible for approving and inspecting all nationally significant highway projects. The URP, on the other hand, would function much as the CRP demonstration does, under which states are given greater latitude to carry out highway projects and are subjected to minimal federal requirements.

States View CRP's Funding and Administrative Flexibilities as Beneficial

In our June 1990 report, we noted that officials from the five states participating in the CRP demonstration considered it beneficial because of the administrative and funding flexibilities the demonstration offered. We reported that pooling funds had given the states more flexibility to address their highway and bridge needs; three states had targeted substantial portions of their pooled funds toward needs within a single system, while two states with less experience in the demonstration expected to do so in the future. We also reported that officials in all five states believed the administrative changes delegating more responsibility to them resulted in time and paperwork savings.

All five states continue to believe that (1) the ability to pool funds for use on their urban and rural highways and bridges and (2) the assumption of additional responsibility for managing federal-aid highway

projects have been beneficial. Two of the states have redirected a substantial amount of pooled funds—mostly bridge program funding—for use on their urban and secondary highway systems, while the remaining three have elected to spend most of their pooled funds on the programs to which the funds were originally directed. FHWA's reviews of projects undertaken by states participating in the CRP demonstration have disclosed relatively few safety problems, which has led FHWA to conclude that the delegation of responsibility to the states has not compromised safety.

Two of Five States Redirect Highway and Bridge Funds

Under the CRP demonstration, each of the five states is allowed to pool all of its urban, secondary, and bridge program funds and to use these funds on any one program or a combination of the three programs. States have the discretion to choose the percentage of funds they wish to pool annually. The five states have elected to pool from 27 percent (New York) to 100 percent (California) of total eligible funds.

Once the funds are pooled, states can redirect them or spend them on the programs to which they were originally directed. For example, a state that pools its secondary program funds can choose to redirect these funds to meet urban and bridge program needs or spend them on the secondary system. Through the end of fiscal year 1990, two states—Texas and Rhode Island—had been the most active in redirecting funds from one program to another. Texas pooled \$70 million in secondary program funds, but obligated \$184 million in pooled funds for its secondary system. This was possible because Texas redirected both its bridge and urban program funds to meet secondary system needs. Similarly, Rhode Island redirected its bridge and secondary program funds to meet its urban system needs. The state pooled \$4 million in urban program funds, but spent \$13 million in pooled funds to meet urban system needs.

Through fiscal year 1990, the remaining three states—California, Minnesota, and New York—spent the majority of their pooled funds on the programs to which the funds were originally directed. Although California pooled all of its available funds, a California official noted that it is difficult to redirect them because urban and rural interest groups know the amount received for each program and expect the funds to be spent as originally directed. According to New York and Minnesota officials, they did not redirect a substantial amount of funds because the priority needs for each of their highway systems exceeded the funds

available in every program category. Appendix I discusses in detail the pooling and redirection of funds.

**States Consider
Administrative Changes
Beneficial**

According to officials in the five states, the streamlined administrative processes introduced by the demonstration have resulted in time and paperwork savings. The administrative changes involve (1) elimination of individual project-by-project approval by FHWA and (2) delegation of responsibility to the states for approving design exceptions and conducting final construction inspections. State officials also believe that the changes have resulted in intangible benefits. For example, Minnesota officials stated that the changes imparted an increased sense of responsibility to their staff and consequently resulted in more critical state appraisals of proposed highway and bridge design exceptions.

In our June 1990 report, we recommended that FHWA conduct reviews to determine whether safety had been affected by the delegation of responsibility to the states for approving exceptions to design standards and for conducting final construction inspections. FHWA agreed and is in the process of conducting these reviews. In the reviews completed to date, FHWA has questioned some actions taken by states, but has concluded that the delegation of these responsibilities to the states has not compromised safety. For example, FHWA reviewed 33 design exceptions approved by California and concluded in each instance that the exceptions were warranted; however, in eight of these instances, FHWA believed that while the design selected was not incorrect, the state should have considered additional design alternatives or provided more justification for the alternative selected. FHWA also reviewed 16 of California's final inspections and found four safety problems, primarily involving the nonstandard installation of guardrails. California agreed with FHWA's finding and plans to revise its procedures on installing guardrails.

Under the administration's reauthorization proposal, FHWA's involvement in URP projects would be minimal. FHWA would not be involved in URP project approvals, agreements, or inspections, but would reserve the right to conduct reviews as deemed necessary. We believe that FHWA should be required to continue to review states' actions to ensure that highway safety is not impaired. While problems such as the nonstandard installation of guardrails in California appear to be isolated, early detections and corrections are needed before potential safety problems are duplicated.

Administration Proposes Major Changes for Highway Programs

The administration's proposal focuses on the development of a 150,000-mile national highway system intended to provide an interconnected system of principal highways serving major population centers, rural areas, ports, airports, and international border crossings. FHWA's efforts to identify a preliminary national highway system in its 1990 mapping exercise proved problematic to many states because the methodology focused on the number of miles in the system.

The proposed national highway system's priority status is reflected by the level of federal funding allocations it would receive through the NHP. The NHP would receive two-thirds of available highway funding, while the URP would receive the remaining one-third. States would have to contribute between 10 and 25 percent of the cost of NHP projects. For URP projects, however, states would be responsible for 40 percent.

A 150,000-Mile Limitation Undermines Designation of a National Highway System

FHWA conducted a mapping exercise in 1990 to illustrate a preliminary 150,000-mile national highway system. To develop this map, FHWA placed a cap on the number of highway miles that each state could include in the 150,000-mile system. The highways designated by the states within their mileage limitations were also supposed to meet criteria for defining highways in a national highway system, such as (1) serving interstate and international commerce and travel, (2) providing for national defense needs, and (3) enhancing economic vitality and international competitiveness.

We analyzed states' responses to FHWA's mapping exercise and found that many objected to FHWA's reliance on mileage caps because they made it difficult, if not impossible, to delineate any type of interconnected national highway system. In many instances, the mileage caps prohibited states from connecting what they considered to be nationally significant roads in one part of the state with nationally significant roads elsewhere in the state. Many states were also unable to connect their nationally significant highways with corresponding routes in surrounding states. For instance, one state noted that because of the restrictive mileage cap, its proposed network was a set of unconnected fragments rather than a cohesive highway system. Similarly, another state reported that its mileage cap was too low to develop a viable and integrated system. The mileage caps forced these states to designate roads that did not adequately serve the states' needs and prohibited the inclusion of roads that the states felt served national purposes. Another

state noted that the mileage allocated to it would allow the state to designate only its interstate system highways, which would not represent a realistic portrayal of the roads it considered to be nationally significant.

Some states also noted that the criteria for defining highways in the national highway system were so general that the states were unsure what nationally significant highways were supposed to accomplish. States reported that the lack of guidance and definition made it difficult to identify these types of roads—especially within the mileage constraints. According to one state, the criteria may reflect overall national goals and objectives, but the criteria are difficult to apply in designating a national system on a state-by-state basis.

Under the administration's proposal, FHWA, along with the states, will have until the end of fiscal year 1993 to develop a national highway system. The proposal states that the national highway system will consist of the interstate and other principal arterials. Designation of the system will also be based on an updated functional classification of the nation's highways. FHWA officials stated that this update is needed to ensure that the designation of the national highway system reflects a current and consistent process among the states.

FHWA uses functional classification as the basis for placing roads within the federal-aid systems. This classification scheme divides the nation's highway system into three functional groups according to the type of service they provide: principal and minor arterials, local roads, and collectors. FHWA guidance provides that functional classification groupings be determined on the basis of specific and measurable criteria, such as traffic volume, areas served, and trip length. Appendix II illustrates how the four federal-aid highway systems are functionally classified.

Between fiscal year 1992 and the time when the final system is designated, FHWA would allow states to use their NHP funds on highways functionally classified as principal arterials. According to FHWA data for 1989, approximately 183,000 miles of principal arterials currently exist in the federal-aid system. The interim system, which would be about 33,000 miles larger than the final one envisioned in the administration's proposal, would encompass all of the interstate system highways (44,849 miles), as well as approximately 138,000 miles of principal arterial highways drawn from the primary and urban systems. Since the remaining primary, urban, and secondary system highways are not principal arterials, they would not be eligible for NHP funds. However, since

they would still be federal-aid roads, they would be eligible for URP funds.

Funding Focused on NHP Highways

Under the administration's proposal for fiscal years 1992 to 1996, federal highway authorizations would total about \$66 billion. Of these proposed highway authorizations for the federal-aid program, approximately two-thirds would be allocated to the NHP and one-third to the URP annually. Individual state allocations for the NHP would range from a low of 60 percent of total highway funding in that state to a high of 92 percent, with the remaining funds going to the URP. States would be allowed to transfer up to 15 percent of their NHP funds to the URP, but would not be allowed to make transfers in the other direction.

The administration's proposed highway funding levels, which focus on the NHP's national highway system, reflect historical spending patterns by many states. Since the future national system will likely consist of the interstate and other principal arterials, we analyzed states' expenditures on these roads from fiscal years 1987 to 1990.³ Our analysis showed that, on average during this time period, 48 states spent more than half of their federal and state highway funds on their interstate and primary principal arterials. Spending ranged from a low of 51 percent to a high of 87 percent, with 36 of these 48 states spending two-thirds or more of their highway funds on these roads.

We also compared average historical expenditures by states on their interstate and principal arterials with their allocations for the NHP and the URP under the administration's proposal. Our analysis showed that 35 of the 50 states spent a higher percentage of federal and state highway funds on these roads during fiscal years 1987 through 1990 than the percentage NHP funding would represent during fiscal years 1992 through 1996. For example, during fiscal years 1987 to 1990, the state of Maryland spent an average of 80 percent of its total highway funding on its interstate and primary principal arterials. However, under the administration's proposal for fiscal years 1992 to 1996, Maryland would receive an average of 60 percent of its highway funding to meet needs on the same highways.

³FHWA data for 1989 indicate there are approximately 183,000 miles of principal arterials in the federal-aid system, of which 157,000 miles consist of the interstate and primary principal arterials. Our analysis of past expenditures was based on this 157,000-mile subset, which afforded a more direct comparison with the administration's proposed 150,000-mile national highway system.

Conclusions

The CRP demonstration indicates that differences are likely to occur in states' responses to the administration's proposal for increased funding flexibility under the URP. Two of the five participating states have elected to use the funding flexibility to redirect a substantial amount of funds; the remaining three have chosen to use their funds on the programs to which the funds were originally directed. A mixed state response can be expected under any restructured federal-aid highway program since states have different transportation problems and the magnitude of any particular problem varies among and within states. Further, the CRP demonstration's funding flexibility for the highway and bridge programs would not be extended under the administration's proposal, since the proposal provides for a separate bridge program.

Ensuring the safety of the nation's highways is a shared state and national priority. While FHWA has concluded that states' assumption of final inspection and design exception activities has not compromised safety, the administration's evaluations have disclosed problem areas. We recognize that the potential safety problems identified have been isolated. Nevertheless, we believe timely identification of any such problems is warranted and needed.

In addition, the states in the CRP demonstration have gained experience operating with the new responsibilities. The reauthorization proposal would expand these responsibilities and extend them to states that do not have such experience, while simultaneously minimizing FHWA's involvement in many highway projects. We believe a need exists for FHWA's continued review, at least in the short term, while states gain operational experience with the new responsibilities. Specifically, we believe FHWA should sample the decisions made by states to validate the adequacy of state procedures in handling the new responsibilities and to ensure that highway safety is not impaired. Such after-the-fact evaluations would not interfere with states' discharge of responsibilities and would provide some assurance that potential problems are identified and corrected.

A primary objective of the administration's reauthorization proposal is to focus federal investment on highways considered to be of national significance. The process of identifying these highways should be based on well-defined national goals that take into account the expected function and purpose of the highways. These goals should not be undermined by the imposition of predetermined mileage limitations, particularly if the limits are less than the number of highway miles currently classified by FHWA as principal arterials. Once the goals of the

system are determined, it can then be decided how large a system is required to meet these goals.

The administration's focus on highways of national significance is evidenced by the proposed allocation of two-thirds of available federal highway funding to the NHP. Our analysis shows that in the past, most states used their highway funds predominantly on roads that are likely to be in the proposed NHP. Since some states may need to spend a higher percentage of their funds on a particular highway program, the challenge is to structure a federal highway program that provides individual states with enough flexibility to meet their own needs while also addressing national priorities.

Matters for Congressional Consideration

If the Congress provides for a national highway system, it may wish to consider requiring that such a system be defined on the basis of the objectives the system is intended to achieve. Should the Congress also establish a mileage cap for the national highway system based on principal arterials, it may wish to provide that the cap be determined through an updated functional classification of such highways.

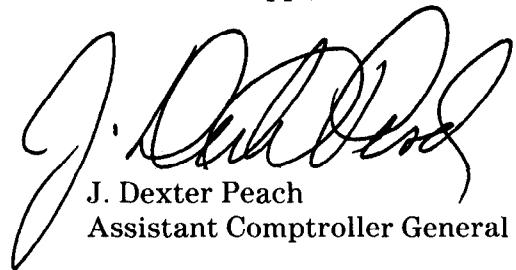
Recommendation

If additional federal-aid highway responsibilities are transferred to the states, we recommend that the Secretary of Transportation direct the Administrator of FHWA to sample the decisions made by states in order to validate the adequacy of state procedures in handling the new responsibilities and to ensure highway safety is not impaired.

We performed our review work between September 1990 and May 1991 in accordance with generally accepted government auditing standards. (Details on our objectives, scope, and methodology are provided in app. III.) As agreed with your offices, we did not obtain written comments on this report. However, we did discuss the information in this report with federal transportation officials responsible for highway planning and policy. These officials generally agreed with the facts as presented in the report, and we have incorporated the officials' comments where appropriate.

We are sending copies of the report to the Secretary of Transportation; the Administrator, FHWA; interested congressional committees; and states participating in the CRP demonstration. We will send copies to other interested parties upon request. Our work was performed under the

direction of Kenneth M. Mead, Director, Transportation Issues, who may be reached at (202) 275-1000. Other major contributors to this report are listed in appendix IV.



J. Dexter Peach
Assistant Comptroller General

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**Figure I.5: Texas: CRP Pool and Obligations, Fiscal Years
1988-90**

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Abbreviations

CRP	Combined Road Plan
FHWA	Federal Highway Administration
NHP	National Highway Program
URP	Urban/Rural Program

Pooling and Redirection of Funds by States Participating in the Combined Road Plan Demonstration

The Combined Road Plan (CRP) demonstration permits five states to combine or pool their secondary and urban highway program funds, as well as their bridge program funds. States have the discretion to choose the percentage of eligible funds they wish to pool annually. As table I.1 shows, states have elected to pool from 27 percent to 100 percent of total available funds.

Table I.1: Available Funds Pooled by States Through Fiscal Year 1990

State	Dollars in millions		
	Funds available to pool	Funds actually pooled	Percentage pooled
Minnesota	\$273	\$80	29
Texas	714	460	64
New York	313	84	27
Rhode Island ^a	33	19	58
California	312	312	100

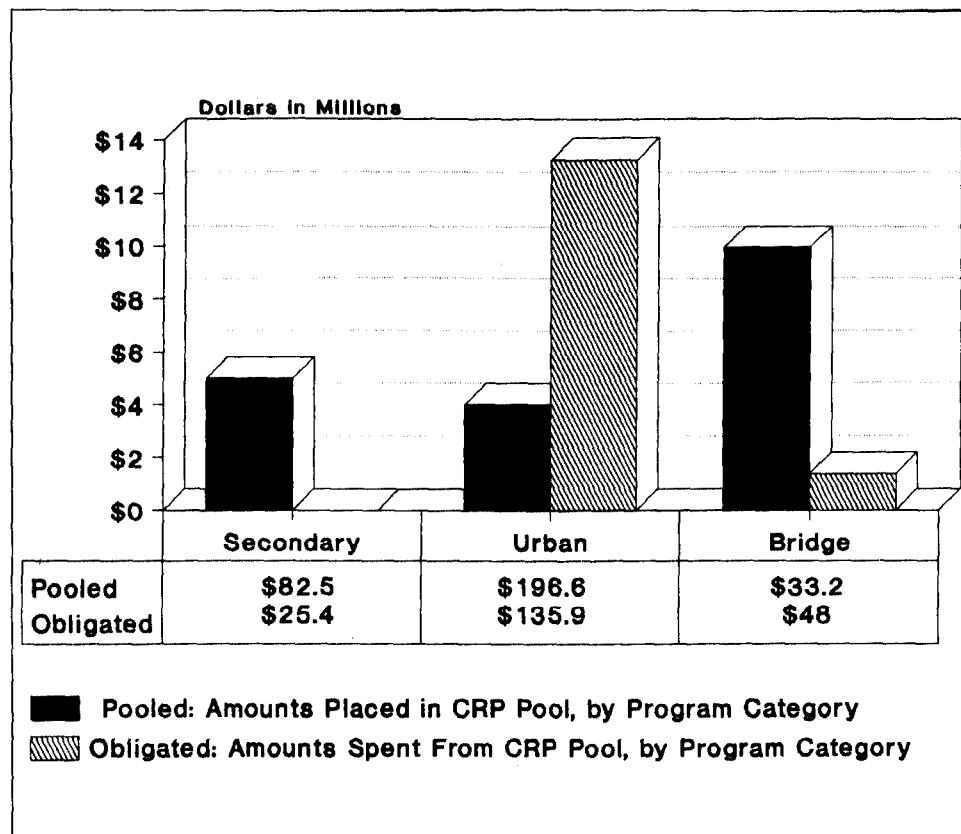
^aThe information for Rhode Island is for fiscal year 1989 only, since state officials were unable to provide information on obligations by program category for fiscal year 1990.

Once placed in the pool, the funds can be used for any project under the urban, secondary, and bridge programs. Texas pooled \$70 million in secondary program funds, but committed \$183.6 million for the secondary system. The difference is accounted for through the use of bridge and urban program funds that were pooled. Rhode Island committed \$13 million for urban system projects after pooling only \$4 million in urban program funds; pooled bridge and secondary program funds made up the difference. California, Minnesota, and New York chose to make minimal changes to the distribution of pooled funds; these states spent the majority of funds on the programs to which the funds were originally directed.¹ Figures I.1 through I.5 provide additional information on the pooling and obligation of funds by the five states. Some funds remain available for use, as highway funds generally remain available for a 4-year period. Officials in the five states expect to obligate all remaining pooled funds before the end of the demonstration.

¹These three states redirected less than 10 percent of their pooled funds.

Appendix I
Pooling and Redirection of Funds by States
Participating in the Combined Road
Plan Demonstration

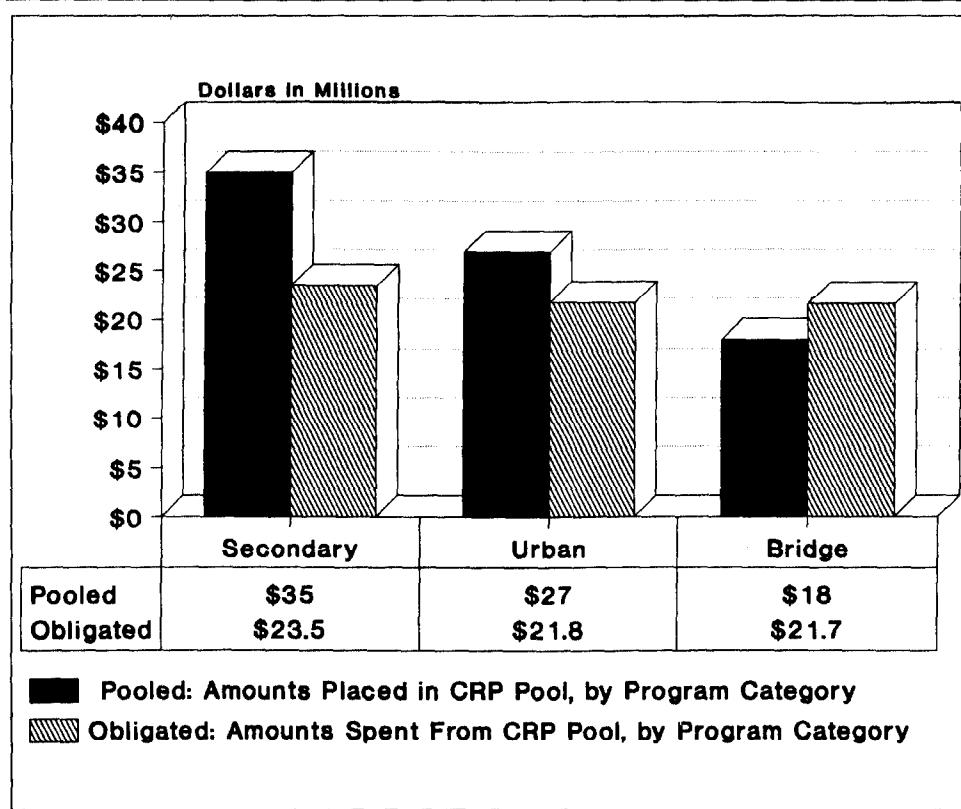
Figure I.1: California: CRP Pool and Obligations, Fiscal Years 1989-90



Source: Prepared by GAO using data from the California Department of Transportation.

Appendix I
Pooling and Redirection of Funds by States
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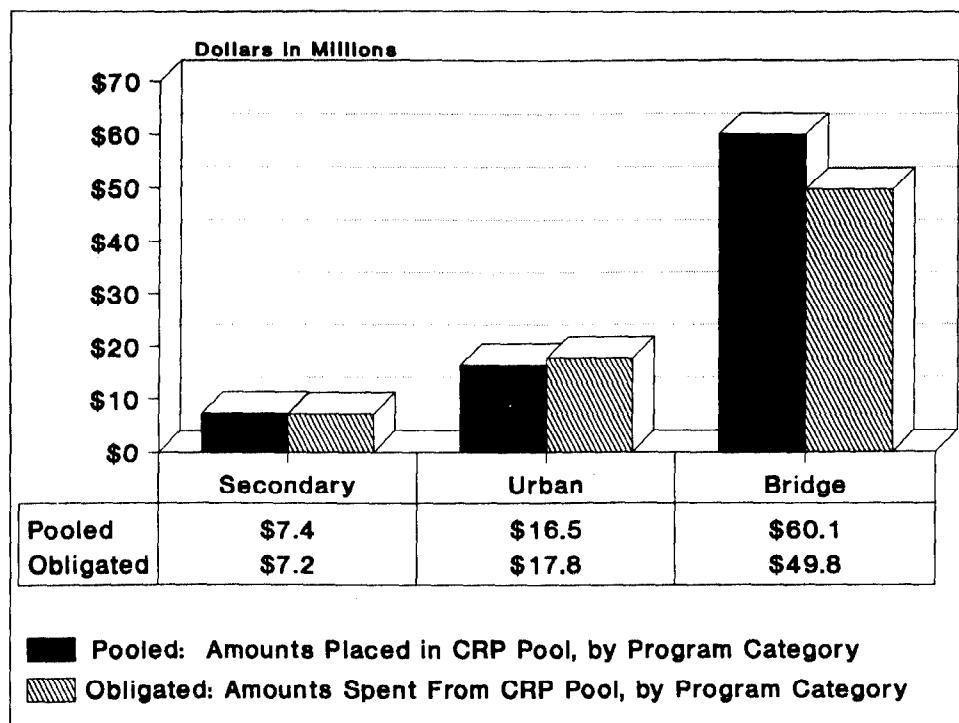
Figure I.2: Minnesota: CRP Pool and Obligations, Fiscal Years 1988-90



Source: Prepared by GAO using data from the Minnesota Department of Transportation.

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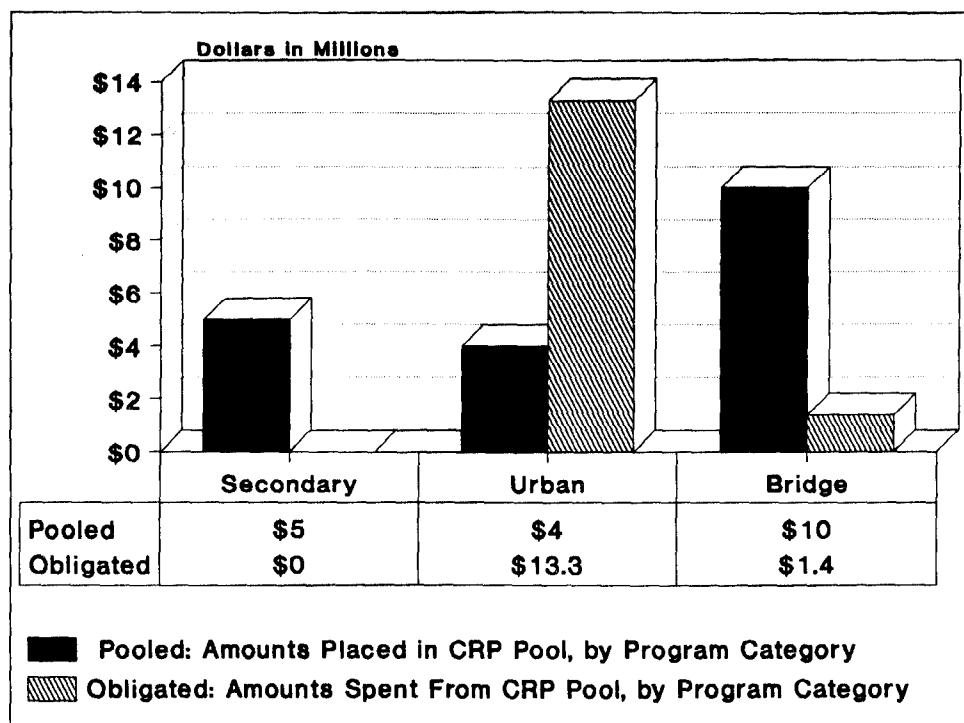
Figure I.3: New York: CRP Pool and Obligations, Fiscal Years 1989-90



Source: Prepared by GAO using data from the New York State Department of Transportation.

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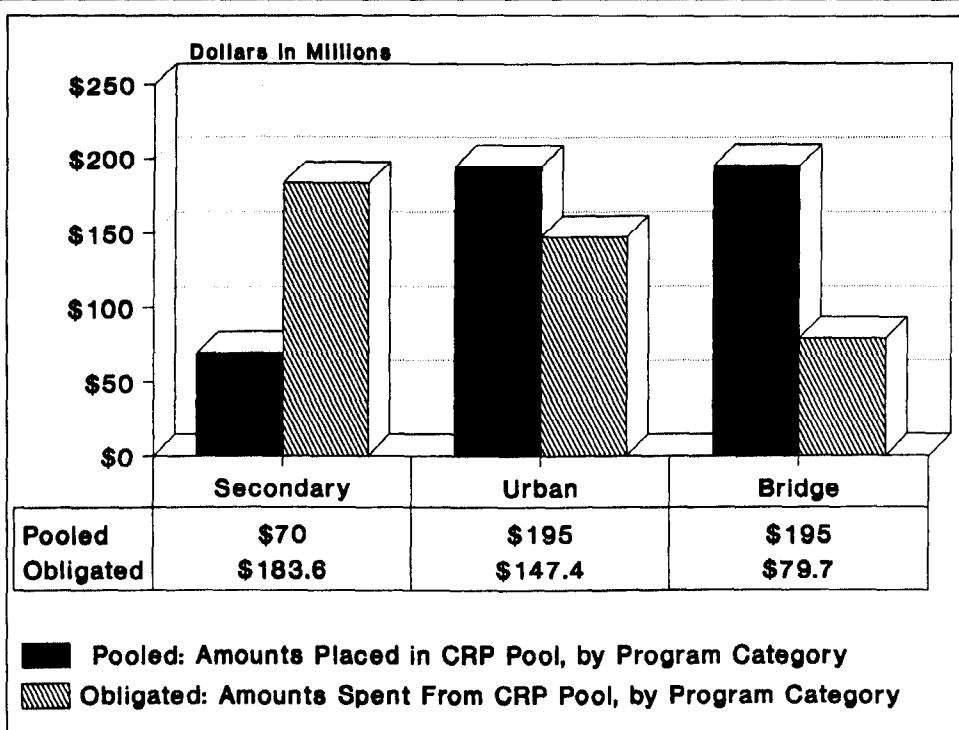
Figure I.4: Rhode Island: CRP Pool and Obligations, Fiscal Year 1989



Source: Prepared by GAO using data from the Rhode Island Department of Transportation.

Appendix I
Pooling and Redirection of Funds by States
Participating in the Combined Road
Plan Demonstration

Figure I.5: Texas: CRP Pool and Obligations, Fiscal Years 1988-90



Source: Prepared by GAO using data from the Texas State Department of Highways and Public Transportation.

FHWA's Functional Classification System

The Federal Highway Administration (FHWA) classifies the nation's highway system in two ways. First, FHWA identifies roads as belonging to one of the four federal-aid systems: interstate, primary, urban, and secondary. Once a road has been assigned to one of these systems, it becomes eligible for a particular federal category of highway funding.

Second, FHWA makes a functional distinction between highway systems. FHWA uses functional classification as the basis for placing roads within the federal-aid systems. According to FHWA's functional classification guide, this classification scheme divides the nation's highways into three functional groups according to the type of service they provide: principal and minor arterials, local roads, and collectors. Arterial roads are routes whose function is mainly to move large numbers of vehicles quickly from one place to another. Local roads and streets function mainly to provide access to rural resources and farms as well as to urban businesses and residences. Collectors are roads that gather vehicles from the local roads and streets and funnel them to the arterials.

The functional classification of roads within the four federal-aid systems is as follows:¹

- The interstate system consists of 44,849 miles of highways. All of these are classified as principal arterials.
- The primary system consists of 259,205 total miles of highways. Of these, 112,146 miles of highways are principal arterials, and the remaining 147,059 miles are minor arterials.
- The urban system consists of 147,904 miles of highways. Of these, 25,961 miles of highways are principal arterials, 66,328 miles are minor arterials, and the remaining 55,615 miles are collector routes.
- The secondary system consists entirely of 399,756 miles of collector routes.

As shown above, no local roads are part of a federal-aid highway system and therefore are not eligible for federal-aid highway funds.

¹Classification is based on FHWA data for 1989.

Objectives, Scope, and Methodology

In response to a February 27, 1989, letter from the requesters, we issued a report in June 1990 on the basis of a preliminary evaluation of how five states—California, Minnesota, New York, Rhode Island, and Texas—had benefitted from the CRP demonstration. The report was entitled Transportation Infrastructure: States Benefit From Block Grant Flexibility (GAO/RCED-90-126). We were also requested to perform a final evaluation of the demonstration. In addition, as agreed with the requesters' offices, we also reviewed the administration's reauthorization proposal for the federal-aid highway program as it relates to (1) defining highways of national significance and (2) funding the National Highway Program (NHP) and the Urban/Rural Program (URP).

In our final evaluation of the CRP demonstration, we performed our work at the five participating states—California, Minnesota, New York, Rhode Island, and Texas. We obtained and reviewed documentation relevant to the demonstration, such as financial and statistical operating data, reports prepared by the states, FHWA monitoring plans and reviews of states' decisions on final inspections and design exceptions. In each participating state, we interviewed officials responsible for managing the demonstration to obtain information on their experiences to date and their analyses of benefits received from the demonstration. We also interviewed officials at FHWA headquarters, in Washington, D.C., and at its division offices for the five states.

In considering attempts to define highways of national significance, we reviewed FHWA headquarters' instructions provided to the states for preliminarily identifying such highways. Thereafter, we analyzed all of the responses that states made to FHWA during an illustrative mapping exercise. The exercise was designed to provide three maps of highways of national significance: (1) a 120,000-mile system, (2) a 150,000-mile system, and (3) an optional size system the size of which was determined by individual states. Our analysis focused on the 150,000-mile system because this system size corresponds with the one endorsed in the administration's reauthorization proposal. Further, we reviewed information on the existing methodology for classifying highways according to the purpose they serve.

To assess funding for the NHP and URP, we analyzed the administration's proposed funding levels for these programs for fiscal years 1992 through 1996. In addition, we analyzed the proposed highway funding for each of the 50 states and compared this information to their financial expenditures for fiscal years 1987 through 1990, which represent

the latest available data. States' principal arterials were used as a proxy for highways of national significance.

We performed our review work between September 1990 and May 1991 in accordance with generally accepted government auditing standards. As agreed with the requesters' offices, we did not obtain written comments on this report. However, we did discuss the information in this report with federal transportation officials responsible for highway planning and policy. These officials generally agreed with the facts as presented in the report, and we have incorporated the officials' comments where appropriate.

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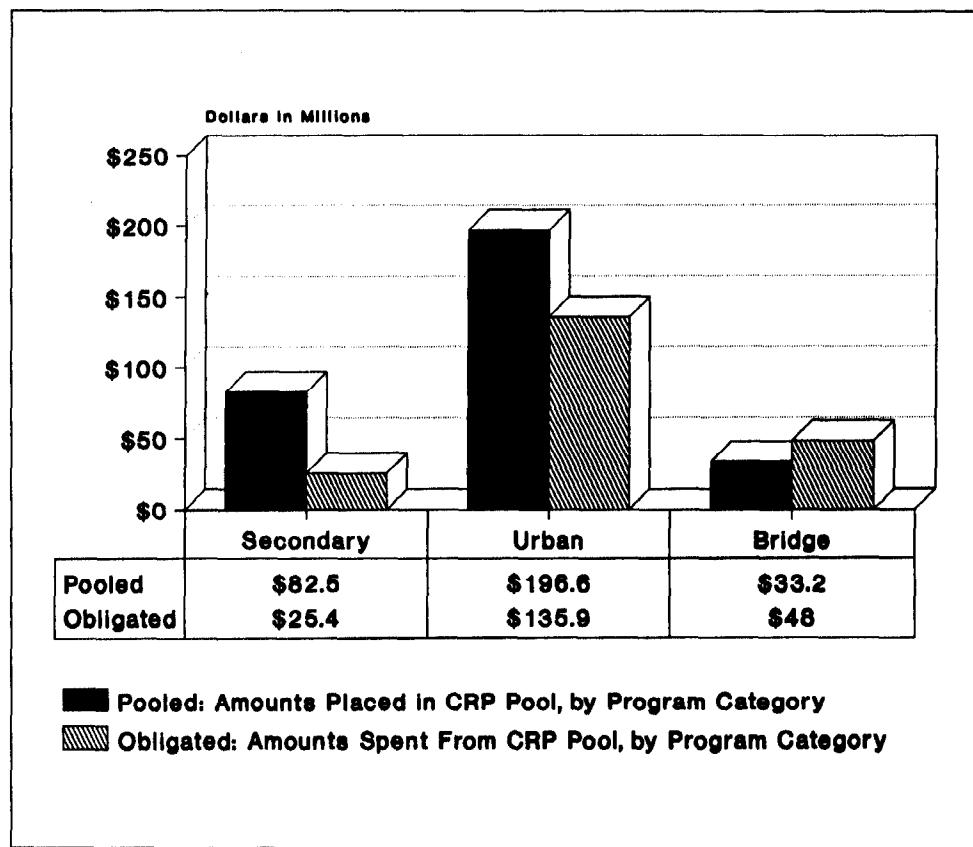
Transportation Infrastructure: Highway Program
Consolidation (GAO/RCED-91-198, Aug. 16, 1991)

The attached page, containing "Figure I.1: California: CRP Pool and Obligations, Fiscal Years 1989-90," should be substituted for page 17 of the printed report.

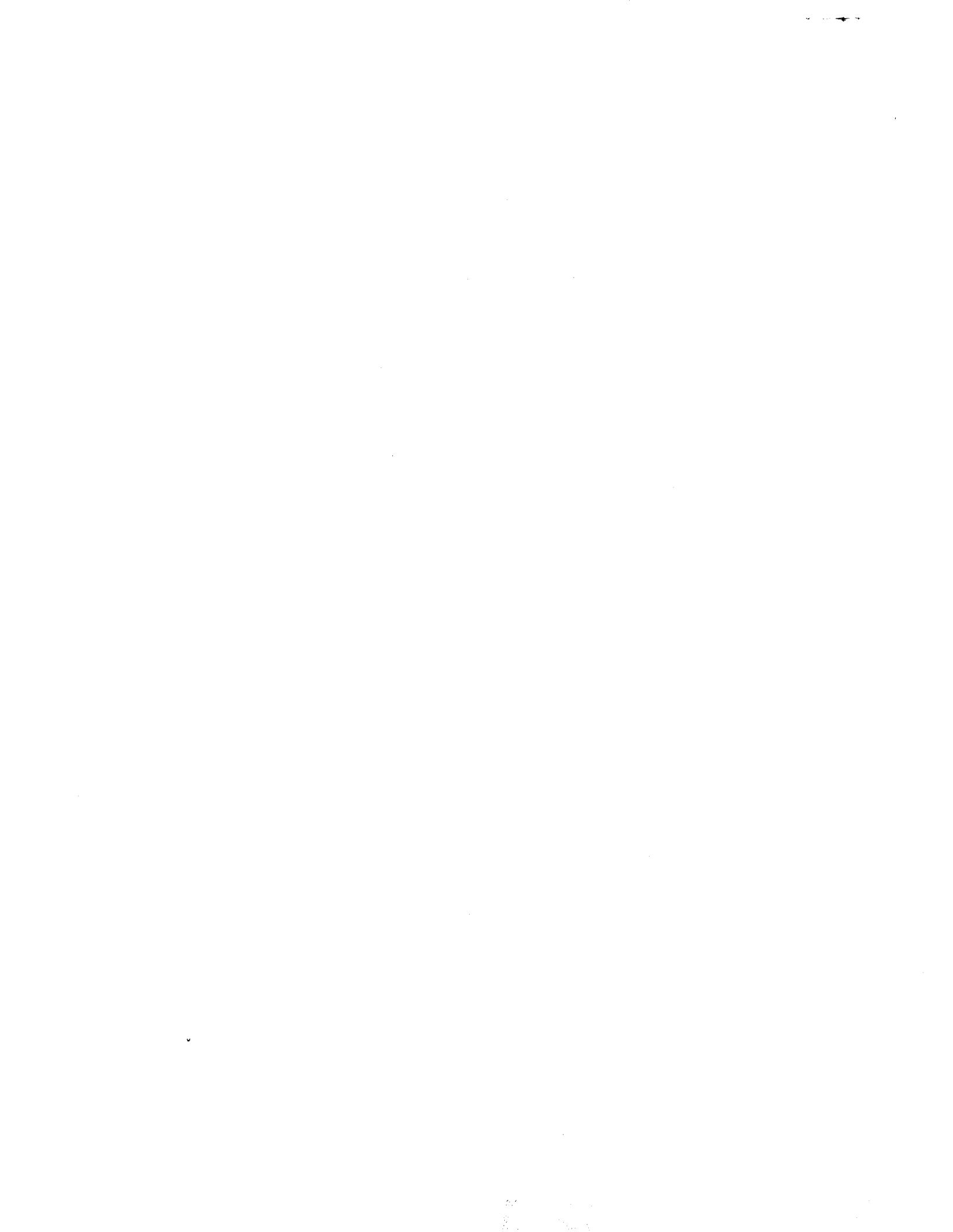
for John H. Anderson, Jr.
Kenneth M. Mead
Director, Transportation Issues

Appendix I
Pooling and Redirection of Funds by States
Participating in the Combined Road
Plan Demonstration

Figure I.1: California: CRP Pool and Obligations, Fiscal Years 1989-90



Source: Prepared by GAO using data from the California Department of Transportation.



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